Fake letter of credits

†1443. SHRIMATI SAVITA SHARDA: Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether it is a fact that issuing of fake letter of credits is going on a large scale in the counry;

(b) if so, whether Goverr ment are considering to take any concrete steps to check the same;

(c) if so, the details thereof and by when such steps would be taken; and

(d) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANT GANGARAM GEETE): (a) to (d) Reserve Bank of India (RBI) has intimated that on the basis of frauds reported by the banks to RBI, it cannot be stated that issue of fake Letter of Credits (LCs) is going on at a mass level in the country.

RBI has advised banks from time to time the common fraud prone areas and the measures required to be taken for their prevention. Some of the specific safeguards required to be taken by banks for prevention of LC related frauds are that LCs should not normally be opened for customers who do not enjoy the credit facilities with the bank and if any such request is received the bank should subject the proposal to thorough scrutiny including reference to the bank in which the importer enjoys the credit facilities, reasons for approaching bank for opening of LCs and the genuineness of the customer. Bank should ensure that the importer has a valid import licence. Before establishing the LC the bank should satisfy itself that the customer is in a position to retire the bills drawn under LC and prescribe suitable margin and other security as necessary/LC above Rs. 10,000/- should be signed by two officials with a view to minimize the malpractices by the bank officials and blank LC forms should be treated as security items. Adequate safeguards against their pilferage should be taken.

†Original notice of the question was received in Hindi.